

Message Text

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22-11

ACTION EA-09

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FM AMEMBASSY PORT MORESBY

TO SECSTATE WASHDC 1058

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E.O. 11652: NA

TAGS: EMIN, ETRD, PP

SUBJECT: PNG POSITION ON CIPEC

REF: STATE 275745

1. ECONOFF DISCUSSED CONTENTS REFTEL WITH NIGEL AGONIA, DIRECTOR OF MINERALS AND ENERGY, NOVEMBER 25. AGONIA MADE FOLLOWING POINTS: 1) PNG IS NOT YET ASSOCIATE MEMBER OF CIPEC AND CANNOT BE UNTIL MATTER PUT BEFORE NATIONAL PARLIAMENT FOR TEN WORKING DAYS FOR ITS CONSIDERATION. THIS WILL NOT HAPPEN UNTIL MARCH 1976. HE ADDED THAT GOVERNMENT HAD APPROPRIATED \$75,000 FOR ASSOCIATE MEMBERSHIP FEES AND HAD DECIDED THAT THE ADDITIONAL \$100,000 GIVING IT VOTING RIGHTS THROUGH FULL MEMBERSHIP WAS NOT WORTH THE MONEY AT THIS TIME. 2) PNG IS PRESENTLY OBSERVING A 15 PER CENT CUTBACK IN PRODUCTION SOLELY DUE TO FACT THAT JAPANESE BUYERS HAVE REQUESTED THIS REDUCTUIN. WHEN JAPANESE ECONOMY STARTS ROLLING AGAIN, AGONIA SAID PRODUCTION WOULD CLIMB TO MEET THE DEMAND. 3) GPNG SEES CIPEC USEFUL AS ORGANIZATION WHICH CAN PROVIDE GOVERNMENT WITH BETTER UNDERSTANDING OF WORLD MARKETING CONDITIONS, HELP DEVELOP UNDERSTANDING AND AWARENESS OF NEW TECHNOLOGY IN MINING INDUSTRY, AND ASSIST BY PROVIDING EXPERTISE WHEN NEEDED. HE ADDED THAT GOVERNMENT OF AUSTRALIA HAD URGED

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GPNG TO BECOME FULL MEMBER, BUT GPNG DECLINED FOR PRESENT.

HE PROFESSED IGNORANCE OF A DATE WHEN GPNG WOULD BECOME FULL MEMBER.

2. AGONIA'S STATEMENTS ABOUT REASONS FOR CUTBACK ARE AT VARIANCE WITH INFO OBTAINED FROM BOUGAINVILLE COPPER LTD. (BCL). BCL'S ASSISTANT TREASURER ASSERTED THAT ANY "CUTBACK" WAS DUE TO LOWER ORE CONTENT. HE ADDED THAT BCL WAS HAVING DIFFICULTY MEETING CONTRACTUAL COMMITMENTS BECAUSE OF LOWER COPPER CONTENT OF ORE BEING PROCESSED. FIGURES FROM PNG BUREAU OF STATISTICS SHOW THAT COPPER ORE CONCENTRATES BY DRY TON WAS 717,140 IN JUNE 1974 FOR PREVIOUS TWELVE MONTHS AS OPPOSED TO 623,506 FOR 1975. THIS IS A 13 PERCENT REDUCTION OR "CUTBACK". THE MOST RECENT MONTHLY FIGURES AVAILABLE ARE FOR JULY AND AUGUST 1975. JULY PRODUCTION FIGURES ARE 28,000 TONS BELOW 1974 FIGURES, BUT AUGUST FIGURES ARE 4,000 TONS HIGHER. THUS IT APPEARS ANY CUTBACK IS CHIEFLY A RESULT OF LOWER GRADE ORE AND NOT A DELIBERATE POLICY ON THE PART OF EITHER THE GPNG OR BCL.

3. COMMENT: GPNG OBVIOUSLY CHANGED ITS POSITION IN THE LIGHT OF CHANGING CIRCUMSTANCES. EMBASSY EXPECTS WHEN FUNDS BECOME MORE PLENTIFUL THAT PERSUASION OF OTHER CIPEC MEMBERS WILL GRADUALLY INDUCE PNG TO TAKE UP FULL MEMBERSHIP DESPITE ITS UNWILLINGNESS TO ADHERE TO PRODUCTION RESTRICTIONS. WE SHOULD BE ABLE TO GIVE DEPARTMENT BETTER ANALYSIS OF GPNG ATTITUDE TOWARD CIPEC AFTER TALKING WITH RETURNING MEMBERS OF DELEGATION ATTENDING LIMA MEETING.

4. DEPARTMENT'S ASSUMPTION THAT STATEMENT REGARDING "GOVERNMENT OWNED COPPER COMPANY FROM ASSETS OF U.S. COMPANY" REFERS TO KENNECOTT IS CORRECT.
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